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NO. OF PAGES 4

**SUPPLEMENT TO**  
**REPORT NO.**

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- Note: The following paragraphs describe the present situation by major economic and sociological sections

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Food Situation

2. Attitude reports consider the food situation in East Germany to be as bad now as it was in the early spring of 1953. The régime has admitted the shortage of sugar, bread, flour, and ~~other commodities~~. In addition, numerous reports cite local shortages of potatoes, eggs, ~~meat~~, milk, and other commodities. Some reports state that the shortage has led to a drive to build up state reserves for strategic purposes; others believe that even present reserves are inadequate and that certain food supplies will run out by May or June. A buying panic is reported in some areas; government committees are being organized to uncover and secure hoarded foodstocks in the rural areas. Several arrests in the domestic trade and supply sector have been publicized and the régime issued a statement that persons spreading reports of a food shortage were to be regarded as "enemies of the Republic". 25X1
3. An analysis of the food situation ~~notes~~ notes that the 1954 harvest is not to blame for the present shortages even though it was not as good as in 1953. The agricultural plan was fulfilled by 90% or higher in key foodstuffs such as grains, potatoes, oil seeds, sugar beets, livestock, milk with 3.5% butter content, eggs, etc. The various shortages are due to stock-piling of reserves, excessive spoilage in depots, faulty transport and distribution facilities, over-export, and ~~under-import~~; in other words, faulty economic management and lack of adjustment to local conditions. This analysis closes with a forecast that the 1955 harvest will be worse because seed, fertilizer, and agricultural manpower are lacking.

Work Norms and Industrial Rationalization

4. The East German régime, via its economic theoreticians such as Oelssner, has stated that industrial production must be further rationalized through the application of a new program of technically-derived work norms and through the equalization of wages. This program has been pushed cautiously, probably because of the experience gained in 1953; there are some reports also that fringe benefits are being stopped and that equalization of wages means reduction in pay for the higher pay groups. As part of the rationalization program, a number of state-owned enterprises are systematically discharging a portion of their work forces. The railways, for example, were to release 10% of the employees in the maintenance and repair shops; reports indicate that only 4 or 5% are so far affected, although other plants have similar programs. Relocation of these workers is expected to be mainly in agriculture, in heavy industry, and to some extent in the armed forces (KVP). It is assumed that this program will also contribute to the raising of work norms and the lowering of wages for these employees since they can be hired in an employers' market. The workers appear to be taking a wait-and-see attitude, with scattered local protest demonstrations and strikes reported.
5. The analysis quoted above attributes this drive for rationalization to the fact that the productivity of labor has not kept pace with the increase in mean wages. This is due directly to the fact that the 17 June uprising forced the régime to grant wage increases and to stop norm increases during late 1953 and 1954. ~~Even~~ even Walter Ulbricht had to admit in November 1954 that 27% of the ~~state-owned~~ industry was not profitable ~~(KVP)~~. Another analysis ~~states~~ that of the approximately 9,000 ~~state-owned~~ enterprises, over 2,000 operated at a loss, with a total deficit of ~~about 3,500,000 marks~~ or about 20% of the planned total net profit. The net profit of the ~~state-owned~~ owned industry must be therefore increased by about 3,500,000 ~~marks~~ over 1954 to meet 1955 Plan figures. Rationalization is considered the answer but even successfully implemented rationalization procedures cannot correct faulty planning that results in shortages of material and coal, work stoppages, and ~~other losses~~. The economic difficulties in East Germany are ~~disastrous~~, and will ~~continue to be~~ the result of faulty economic planning and the lack of ~~democratic~~ authority in the implementation of the programs.

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Private Trade and Industry

6. Small private business has not been directly affected, as was the case prior to 17 June 1953. Complaints are restricted mainly to non-availability of materials and goods because of lower priorities, which of course results in uneconomic and [redacted] enterprises. However, unless forced socialization is reinstituted on [redacted] scale, the position of private trade and industry should not change drastically. In any case, this group has no intention of giving up the privileges it gained under the "new course" without a struggle. Meanwhile, local shortages of even items such as matches increase the popular dissatisfaction.
7. The private farmers are only slightly affected in comparison to the period prior to 17 June, when a forced drive for collectivization resulted in confiscations, the flight of farmers to the West, and general dissatisfaction. However, pressure to join the People's Cooperatives continues to be exerted on the private farmers. The farmers' dissatisfaction may become more bitter if the governmental committees concentrate their search for surplus food on the private farms rather than the collective enterprises, thereby making scapegoats of individual farmers.

Increased Party Schooling

8. Recent complaints indicate that increased emphasis is placed on off-duty schooling by the SED. Such schooling no longer includes extra privileges or pay.

The Jugendweihe

9. The régime announced the institution of the Jugendweihe for all "progressive" children. Both the Evangelical and the Catholic church opposed this step unequivocally, stating that it was in [redacted] observance of certain sacraments. The government was forced [redacted] its plans for mass celebration of the Jugendweihe and so far [redacted] to "consecrate" only a relatively few young people.

Recruiting for the Armed Forces

10. There are some indications that recruiting on a so-called voluntary basis has been stepped up and that increasing numbers of youth are fleeing to the West to avoid military service.

Student Resistance

11. The régime announced a cut in the amount of state aid for students at universities but had to back down when a number of the students protested.

Resistance to the FDGB

12. Numerous reports state that the local elections of the FDGB were a setback for the régime-controlled trade union in many areas. Workers boycotted the elections in some districts; in others, the SED candidates were soundly defeated; the SED goal of 51% elected candidates was not achieved and one report states that at [redacted] of all elected candidates are Party members.

Security Forces

13. Generally, it is conceded that the police forces, and particularly the Sfs 25X1 under Ernst Wollweber, are functioning more efficiently and are prepared to handle local demonstrations. Resistance to the régime is passive and no sizeable organized group is known to exist. Nevertheless [redacted] report East German proposals for violent resistance and 25X1 assassination sporadically.

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Currency Reform

14. Rumors of an impending currency reform are reported from time to time. Together with the food shortages, they are believed to have inspired local buyers' panics.

Refugee Flow

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15. The total refugee flow to West Berlin remains fairly normal. Within the total, the percentage of unaccompanied youth has increased. [redacted] sharp increase of visitors seeking information and guidance which may be a prelude to making the final decision to flee. 25X1

Summary

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16. It can only be concluded that the preconditions favoring popular demonstrations against the régime exist in East Germany. However, the probability of the actual occurrence of widespread demonstrations is remote unless the population interprets some future statements or acts as positive indications that help from [redacted] the free world would be forthcoming. In this respect, the East Germans expect the Western world to give them reassurance in some form, now that the ratification of the Paris Agreements is certain. There remains the possibility that the East German régime or the Soviets will take some ill-considered actions that result in popular resistance of an overt nature and of considerable magnitude. [redacted] most [redacted] feel the highpoint of this trend in popular resistance attitudes will not be reached until May or June 1955, or later. 25X1

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CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

REPORT [REDACTED]

CD NO

COUNTRY

East Germany

SUBJECT

Popular Unrest and Dissatisfaction

DATE DISTR.

10 June 1955

NO. OF PAGES

4

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PLACE  
ACQUIREDNO. OF ENCLS  
(LISTED BELOW)DATE OF  
INFO.SUPPLEMENT TO  
REPORT NO

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THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793 AND 794, OF THE U. S. CODE, AS AMENDED. ITS TRANSMISSION OR REVELATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION.

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1. Since the beginning of 1955, rumors and reports of increasing unrest and dissatisfaction in East Germany have multiplied until now [REDACTED] the population is more antagonistic to the régime than at any time since 1955. The economic difficulties within East Germany plus the Western political developments (ratification of the Paris Agreements) both play a large role in this trend. [REDACTED] certain preconditions for another demonstration of resistance similar to 17 June 1953 exist, even though the régime has yet to push such an across-the-board program of forced socialization as went into effect prior to 17 June 1953. However, another such uprising will not take place without external prompting and support, mainly because the population realizes that nothing can be accomplished without such support. Furthermore the East German régime has systematically expanded and improved its internal security forces to the point where it is prepared for even local outbursts of violence.

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Note: The following paragraphs describe the present situation by major economic and sociological sectors. [REDACTED]

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ARMY	AR	FBI									

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3. An analysis of the food situation by a fairly reliable source notes that the 1954 harvest is not to blame for the present shortages even though it was not as good as in 1953. The agricultural plan was fulfilled by 90% or higher in key foodstuffs such as grains, potatoes, oil seeds, sugar beets, livestock, milk with 3.5% butter content, eggs, etc. The various shortages are due to stockpiling of reserves, excessive spoilage in depots, faulty transport and distribution facilities, over-export, and under-import; in other words, faulty economic management and lack of adjustment to local conditions. This analysis closes with a forecast that the 1955 harvest will be worse because seed, fertilizer, and agricultural manpower are lacking.

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5. The analysis quoted above attributes this drive for rationalization to the fact that the productivity of labor has not kept pace with the increase in mean wages. This is due directly to the fact that the 17 June uprising forced the régime to grant wage increases and to stop norm increases during late 1953 and 1954. Consequently, even Walter Ulbricht had to admit in November 1954 that 27% of the publicly owned industry was not profitable (nicht rentabel). Another analyst estimates that of the approximately 9,000 publicly owned enterprises, over 2,000 operated at a loss, with a total deficit of about 900,000,000 DEM or about 20% of the planned total net profit. The net profit of the publicly owned industry must be therefore increased by about 3,500,000,000 DEM over 1954 to meet 1955 Plan figures. Rationalization is considered the answer but even successfully implemented rationalization procedures cannot correct faulty planning that results in shortages of material and coal, work stoppages, and short hours. The economic difficulties in East Germany are directly, and will continue to be, the result of faulty economic planning and the lack of decentralization of authority in the implementation of the programs.

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Private Trade and Industry

5. Small private business has not been directly affected, as was the case prior to 17 June 1953. Complaints are restricted mainly to non-availability of materials and goods because of lower priorities, which of course results in uneconomic and deficit enterprises. However, unless forced socialization is reinstituted on a wide scale, the position of private trade and industry should not change drastically. In any case, this group has no intention of giving up the privileges it gained under the "new course" without a struggle. Meanwhile, food shortages of even items such as matches increase the popular dissatisfaction.
6. The private farmers are only slightly affected in comparison to the period prior to 17 June, when a forced drive for collectivization resulted in dislocations, the flight of farmers to the West, and general dissatisfaction. However, pressure to join the People's Cooperatives continues to be exerted on the private farmers. The farmers' dissatisfaction may become more bitter if the governmental committees concentrate their search for surplus food on the private farms rather than the collective enterprises, thereby making scapegoats of individual farmers.

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